

# KENTUCKY ECONOMIC INDICATORS

March Indicators as of May 31, 2006

## **KY Composite Index of Leading Indicators increased 0.9 percent in March.**

- The Leading Index increased for the second time this year.
- The Leading Index rose by 1.1 percent over the same month last year.
- Component indicators were mostly positive, 4:1.
  - + KY Labor Intensity Index increased 1.0 percent.
  - + The US Leading Index increased 4.4 percent.
  - + The KY Index of Initial UI Claims increased 0.8 percent.
  - + US Retail Sales increased 7.8 percent.
  - The Louisville Help Wanted Index declined 2 points to 40.

*Component weights for March are 52.96, 19.71, 14.89, 10.70 and 1.74 respectively.*

## **KY Composite Index of Coincident Indicators increased 2.8 percent in March.**

- The Coincident Index is positive for the seventh consecutive month.
- Same-month-last-year growth is positive for the thirty-second consecutive month at 1.9 percent.
- All component indicators were positive for March, 3:0.
  - + KY Total Nonagricultural Employment increased 2.0 percent.
  - + US Industrial Production Index increased 7.3 percent.
  - + US Personal Income Less Transfers increased 0.8 percent.

*Component weights for March are 40.42, 25.25 and 20.86 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

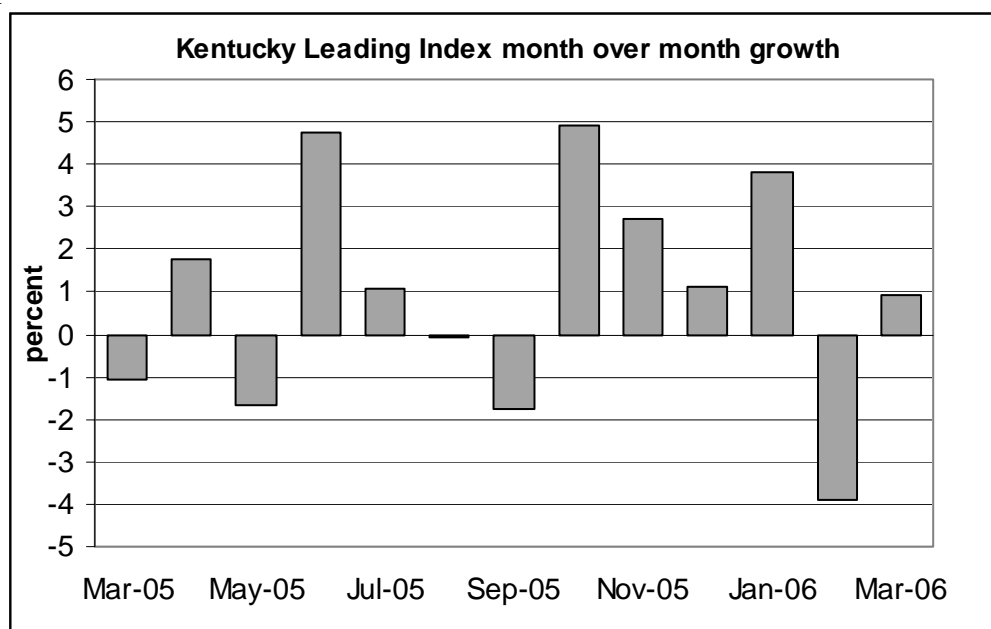
Four of the five component indicators are increasing for March. This is a considerable turn around from February, in which all five components were declining. January on the other hand seemed to perfectly compensate for the moderate losses in February. The Kentucky Leading Index is now back at its December 2005 level. The components were weakly positive and show no clear trends. The Kentucky Labor Intensity Index, which carries the strongest weight in the index, was weakly positive but has shown no clear signs of growth (or decline) since April 2004. After the 2001 recession, the Kentucky Labor Intensity Index showed some moderate growth from March 2003 to April 2004. That was the last time the Kentucky Labor Intensity Index showed clear signs of growth. The index increased for three consecutive months starting in November 2004. The index declined for five consecutive months starting in May 2005. This lackluster performance in the Labor Intensity Index has duplicated itself in the Kentucky Leading Index.

The Kentucky Index of Initial Unemployment Insurance Claims is a different story entirely. The Kentucky Index of Initial Unemployment Insurance Claims is composed of two components, Kentucky First Pays and US Initial Claims. Both of these components have been steadily declining for several years. There has been a steady decline in seasonally adjusted First Pays in Kentucky since early 2003. First Pays are those individuals in their first month of unemployment insurance payments. In seasonally adjusted terms, Kentucky First Pays declined slightly compared to February. Moreover, they are only slightly above where they were in March 2005. Kentucky First Pays in March 2005 were at a six year low, so March 2006 is very low by historical standards. Similarly, US Initial Claims, which rose slightly for March, have been steadily declining since March 2003. These two components make up the Kentucky Unemployment Insurance Claims Index. The UI Claims Index is an inverted index. When the index goes up, it means the components are going down. The Kentucky Index of UI Claims has gone up in five of the last six months.

The US Leading Index has also performed strongly in the last six months. It has increased moderately or strongly in five of the last six months. As with several other indicators, the US Leading Index had offsetting gains and losses in January and February. The US Leading Index continues to perform well in both the financial and non-financial components.

The Louisville Help Wanted Index declined for the third consecutive month. There was a brief buildup for five months starting in May 2005. However, since then the series has lost 14 points and shows no signs of picking up.

Total Kentucky Nonagricultural Employment performed well again in March. It is now grown by 23,500 jobs above where it was a year ago. Kentucky Manufacturing Employment suffered yet another loss in March, falling 1.8 percent to 261,500. This is the fourth loss in five months. Manufacturing in Kentucky is now down 1,500 jobs since a year ago. Manufacturing has now lost a total of 50,500 jobs since May 2000. For the last nine months of 2003, it appeared that the recession losses had stopped. But since then, there has been a small but clear decline in overall manufacturing employment. In seasonally adjusted units, we have lost 3,600 manufacturing jobs since the end of 2003.



Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the *University of Kentucky Center for Business and Economic Research Kentucky Annual Economic Report, 2000*.

### About the Indicators

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

#### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2005												2006		
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	FEB	MAR
KY Leading Index (1992=100)	114.6	114.7	114.6	115.0	115.1	115.1	114.9	115.4	115.7	115.8	116.1	115.7	115.8		
% Chg Previous Month SAAR	-1.1	1.8	-1.7	4.8	1.1	-0.1	-1.7	4.9	2.7	1.1	3.8	-3.9	0.9		
% Chg Same Month Last Year	0.6	0.9	0.6	1.0	1.2	1.0	0.8	1.2	1.3	1.1	1.5	0.9	1.1		
KY Leading Index Diffusion Index	60.0	63.3	56.7	56.7	53.3	50.0	50.0	50.0	56.7	53.3	63.3	56.7	63.3		
KY Coincident Index (1992=100)	129.7	129.7	130.0	130.4	130.5	129.6	130.2	130.6	131.1	131.7	131.7	131.9	132.2		
% Chg Previous Month SAAR	0.3	0.3	2.1	4.5	0.2	-7.5	6.0	3.6	4.9	4.8	0.4	1.4	2.8		
% Chg Same Month Last Year	2.2	2.0	1.9	2.4	2.1	1.2	1.8	1.6	1.8	1.1	1.8	1.7	1.9		
KY Nonag Employment (000s)	1,816.2	1,821.2	1,823.3	1,826.1	1,822.7	1,831.1	1,832.1	1,833.4	1,833.9	1,836.0	1,838.5	1,836.7	1,839.7		
% Chg Previous Month SAAR	0.5	3.4	1.4	1.9	-2.2	5.7	0.7	0.9	0.3	1.4	1.6	-1.2	2.0		
% Chg Same Month Last Year	1.2	1.4	1.7	1.6	1.6	1.7	1.6	1.6	1.5	1.4	1.6	1.2	1.3		
KY Mfg Employment (000s)	263.0	263.4	263.1	263.0	256.8	261.9	262.1	263.0	262.7	262.0	261.8	261.9	261.5		
% Chg Previous Month SAAR	1.4	1.8	-1.4	-0.5	-24.9	26.6	0.9	4.2	-1.4	-3.2	-0.9	0.5	-1.8		
% Chg Same Month Last Year	-0.5	0.0	-0.4	-0.4	-0.5	-0.9	-0.7	-0.3	-0.5	-0.5	-0.4	-0.3	-0.6		
KY Unemployment Rate (%)	5.8	5.9	6.0	6.1	6.2	6.2	6.4	6.4	6.4	6.5	6.3	6.3	6.0		
KY Index of Initial UI Claims	103.2	103.3	102.5	103.3	103.2	103.0	100.4	102.8	103.5	104.0	105.3	104.1	104.2		
% Chg Previous Month SAAR	-2.8	1.8	-8.8	9.5	-1.6	-2.4	-25.9	32.1	8.6	5.7	16.3	-12.8	0.8		
% Chg Same Month Last Year	1.2	1.4	0.2	0.9	1.5	0.8	-2.4	-0.3	0.8	0.7	2.6	0.7	1.0		
KY Labor Intensity Index (1992=100)	105.3	105.4	105.2	105.1	105.0	105.0	104.9	105.0	105.0	104.9	105.2	105.1	105.2		
% Chg Previous Month SAAR	1.7	1.4	-1.8	-1.0	-2.1	0.0	-0.8	1.4	0.1	-1.0	2.8	-0.3	1.0		
% Chg Same Month Last Year	0.4	0.4	0.3	0.2	0.2	0.0	-0.1	0.1	0.1	-0.1	0.1	0.0	0.0		
Louisville HWI (1992=100)	40.0	38.0	39.0	41.0	41.0	46.0	56.0	54.0	52.0	52.0	44.0	42.0	40.0		
% Chg Previous Month SAAR	-25.6	-46.0	36.6	82.2	0.0	297.8	959.6	-35.4	-36.4	0.0	-86.5	-42.8	-44.3		
% Chg Same Month Last Year	-28.6	-25.5	-18.8	-19.6	-8.9	-2.1	40.0	31.7	23.8	26.8	4.8	2.4	0.0		
GF Total Tax Receipts (\$ mill)	568.6	808.4	525.6	738.7	573.9	555.1	778.4	632.7	631.1	836.3	681.4	508.0	598.0		
% Chg Same Month Last Year	11.7	12.1	9.6	16.6	10.5	8.1	18.8	12.3	7.4	17.8	3.3	1.4	5.2		
GF Sales & Use Receipts (\$ mill)	200.1	224.2	216.1	219.6	238.5	217.4	229.6	235.6	218.6	228.8	289.0	191.1	204.5		
% Chg Same Month Last Year	8.2	3.1	5.1	9.9	5.5	2.7	11.1	5.2	8.7	5.1	6.5	8.4	2.2		
GF Income Tax Receipts (\$ mill)	176.1	413.7	215.3	266.3	238.1	250.8	278.0	259.3	234.0	254.3	220.9	199.1	171.4		
% Chg Same Month Last Year	24.0	12.8	13.6	-1.4	6.2	2.2	2.1	3.8	1.7	-1.8	-12.6	-14.0	-2.6		

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2005

2006

	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
US Leading Index (1996=100)	135.4	135.5	135.6	137.1	136.9	137.0	135.8	136.9	138.2	138.6	139.1	138.5	139.0
% Chg Previous Month SAAR	-7.6	0.9	0.9	14.1	-1.7	0.9	-10.0	10.2	12.0	3.5	4.4	-5.1	4.4
% Chg Same Month Last Year	2.3	2.3	1.7	2.5	2.0	1.9	1.0	1.9	2.2	1.8	2.4	1.6	2.7
US Coincident Index (1996=100)	119.4	119.5	119.8	120.2	120.5	119.5	120.1	120.5	121.2	121.7	121.8	122.1	122.3
% Chg Previous Month SAAR	1.0	1.0	3.1	4.1	3.0	-9.5	6.2	4.1	7.2	5.1	1.0	3.0	2.0
% Chg Same Month Last Year	2.4	2.3	2.2	2.6	2.6	1.4	2.0	1.9	2.3	1.5	2.2	2.3	2.4
US Nonag Employment (Mil.)	132.9	133.1	133.2	133.4	133.6	133.8	133.8	133.9	134.2	134.4	134.5	134.7	134.9
% Chg Previous Month SAAR	1.3	2.1	1.0	1.5	2.2	1.6	0.4	0.3	3.2	1.3	1.4	1.8	1.8
% Chg Same Month Last Year	1.6	1.5	1.4	1.5	1.6	1.7	1.6	1.3	1.5	1.5	1.6	1.5	1.5
US Unemployment Rate (%)	5.1	5.1	5.1	5.0	5.0	4.9	5.1	4.9	5.0	4.9	4.7	4.8	4.7
US Initial Claims for UI (000s)	342.3	328.6	335.5	323.9	319.6	317.2	393.4	338.9	315.6	310.4	286.3	306.0	308.9
% Chg Previous Month SAAR	105.9	-38.7	28.3	-34.4	-14.8	-8.6	1,224.4	-83.3	-57.5	-18.1	-62.1	122.2	12.0
% Chg Same Month Last Year	-1.6	-6.3	-2.4	-5.3	-7.2	-7.0	16.6	2.5	-4.0	-4.6	-14.2	-5.1	-9.8
US Industrial Production Index	107.3	107.2	107.4	108.3	108.3	108.6	107.2	108.4	109.4	110.4	110.3	110.8	111.4
% Chg Previous Month SAAR	-0.5	-1.4	2.8	10.0	-0.2	3.5	-14.7	14.6	11.7	12.0	-0.9	4.5	7.3
% Chg Same Month Last Year	4.0	3.1	2.4	3.7	3.1	3.1	2.0	2.4	3.2	3.5	3.2	3.2	3.8
US Personal Income Less Trans. (Bil. 2000 chained)	7,820.2	7,798.6	7,822.9	7,862.9	7,898.4	7,561.4	7,855.0	7,846.7	7,903.5	7,945.0	7,943.8	7,967.8	7,972.9
% Chg Previous Month SAAR	1.3	-3.3	3.8	6.3	5.6	-40.7	58.0	-1.3	9.0	6.5	-0.2	3.7	0.8
% Chg Same Month Last Year	3.5	2.9	3.1	3.7	3.5	-1.1	2.8	1.7	2.0	-1.6	1.9	2.0	2.0
CPI, All Urban (1982-84=100)	193.2	194.1	194.0	193.9	195.1	196.2	198.6	199.1	197.8	197.7	199.0	199.1	199.8
% Chg Previous Month SAAR	7.1	5.7	-0.6	-0.6	7.7	7.0	15.7	3.1	-7.6	-0.6	8.2	0.6	4.3
% Chg Same Month Last Year	3.2	3.5	2.9	2.5	3.1	3.6	4.7	4.4	3.5	3.4	4.0	3.6	3.4
US Retail Sales (\$Billions)	334.4	340.3	338.6	343.0	351.5	345.1	346.6	347.4	349.6	351.1	361.7	358.7	360.9
% Chg Previous Month SAAR	1.6	23.4	-5.8	16.8	34.0	-19.6	5.1	3.1	7.8	5.1	43.2	-9.7	7.8
% Chg Same Month Last Year	5.3	8.4	5.8	9.4	9.9	8.1	6.6	6.2	6.7	5.8	9.4	7.4	7.9
Manufacturing & Trade Sales (\$thous. 2000 chained)	932.9	937.8	944.3	948.4	950.4	951.8	944.2	946.0	958.2	965.0	974.2	973.1	*971.6
% Chg Previous Month SAAR	-0.3	6.5	8.6	5.3	2.6	1.8	-9.1	2.3	16.5	9.0	12.1	-1.4	-1.8
% Chg Same Month Last Year	2.1	3.5	3.8	4.2	3.8	3.4	2.5	2.5	3.6	3.0	3.6	4.3	4.2
US Consumer Expectations (1966=100)	82.8	77.0	75.3	85.0	85.5	76.9	63.3	63.2	69.6	80.2	78.9	74.5	76.0
% Chg Previous Month AR	-20.5	-58.2	-23.5	328.0	7.3	-72.0	-90.3	-1.9	218.2	448.0	-17.8	-49.8	27.0
% Chg Same Month Last Year	-6.8	-11.8	-7.7	-4.0	-6.3	-12.8	-28.1	-24.6	-18.3	-11.8	-7.9	-11.7	-8.2
Ave. Prime Interest Rate (%; NSA)	5.58	5.75	5.98	6.01	6.25	6.44	6.59	6.75	7.00	7.15	7.26	7.50	7.53

\*ARIMA estimation